

Message Text

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PAGE 01 STATE 131760
ORIGIN EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 IC AE-00 INRE-00 SIG-03
L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00 AID-05
COME-00 INR-10 LAB-04 OIC-02 SIL-01 STR-07
TRSE-00 CEA-01 SS-15 /092 R

DRAFTED BY EB/ICD:CANGEVINE:CA
APPROVED BY EB/ICD:EAWENDT
EB/ICD/TRP-DROSS
COMMERCE-RIVES
TREASURY-WQUINN
AGRICULTURE-PBUZANELL
EUR/RPE-PMC CLEAN

-----095688 240425Z /16

O 240040Z MAY 78
FM SECSTATE WASHDC
TO USMISSION GENEVA IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY COPENHAGEN IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE

C O N F I D E N T I A L STATE 131760

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD COMMODITIES: JUTE

REFERENCE: GENEVA 7850

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1. FOR GENEVA: WE CONTINUE TO BELIEVE THAT NON-STABILIZATION MEASURES OFFER THE BEST MEANS OF STRENGTHENING THE OUTLOOK FOR JUTE. THE PARAGRAPHS BELOW REVIEW OUR CONCERNS ABOUT THE ABSENCE OF ECONOMIC JUSTIFICATION FOR INTERNATIONAL JUTE STABILIZATION MEASURES AND COMMENT ON THE STABILIZATION SCHEME PROPOSED BY THE SECRETARIAT. WHILE WE RECOGNIZE THAT OUR VIEWS MAY NOT BE SHARED BY

OTHER CONSUMERS, WE THINK IT IMPORTANT THAT THEY BE KNOWN IN ADEQUATE DETAIL AND PRECISION TO PREVENT MIS-UNDERSTANDING OF OUR POSITION. IN YOUR PRESENTATION, YOU SHOULD REITERATE OUR INTEREST IN MOVING FORWARD IN OTHER AREAS, PARTICULARLY RESEARCH AND DEVELOPMENT AND MARKET PROMOTION.

2. THOROUGH EXAMINATION OF THE INTERNATIONAL JUTE MARKET HAS FAILED TO DEMONSTRATE THAT INSTABILITY IN RAW JUTE PRICES CONTRIBUTES IN A SIGNIFICANT WAY TO THE PROBLEMS OF JUTE. THE MODERATE EXTENT OF FLUCTUATIONS IN RAW

JUTE PRICES IN INTERNATIONAL MARKETS HAS BEEN WELL DOCUMENTED. PRODUCER ACTIONS APPEAR TO HAVE LARGELY PREVENTED SEVERE PRICE DEPRESSIONS. THE SIGNIFICANT INCREASE IN PRICES IN 1974-75 WAS ASSOCIATED WITH HIGH LEVELS OF STOCKHOLDINGS BY PRODUCING COUNTRIES. PRICE LEVEL RATHER THAN PRICE INSTABILITY HAS BEEN A GREATER DETERMINANT OF THE DECLINE IN THE DEMAND FOR JUTE. MOREOVER, BECAUSE COMPETITION BETWEEN JUTE AND SYNTHETICS IS AT THE FINAL PRODUCT LEVEL, PRICES FOR RAW JUTE IN DOMESTIC MARKETS IN PRODUCING COUNTRIES HAVE A GREATER INFLUENCE ON JUTE'S TOTAL MARKET SHARE THAN DO RAW JUTE PRICES IN INTERNATIONAL MARKETS. ABOUT 70 PERCENT OF RAW JUTE IS NOW EXPORTED IN PRODUCT FORM AND THE DECLINE IN RAW JUTE'S ROLE IN WORLD JUTE TRADE

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IS EXPECTED TO CONTINUE.

3. IN ADDITION TO THE LACK OF A CLEAR ECONOMIC RATIONALE FOR INTERNATIONAL STABILIZATION MEASURES, THE SCHEME PROPOSED BY THE SECRETARIAT DOES NOT APPEAR FEASIBLE. ITS BASIC PROBLEMS ARE THAT THE FORCES OF SUPPLY AND DEMAND FOR JUTE OPERATE ON A MUCH LARGER SCALE THAN THE SCHEME IS DESIGNED TO COPE WITH AND THAT INTERVENTIONS BY PRODUCER GOVERNMENTS SIGNIFICANTLY INTERFERE WITH THE OPERATION OF THE MARKET. OVER EIGHTY PERCENT OF RAW JUTE PRODUCTION IS CONSUMED BY THE DOMESTIC INDUSTRIES IN PRODUCING COUNTRIES. EFFORTS TO STABILIZE THE INTERNATIONAL MARKET FOR JUTE WILL NOT BE SUCCESSFUL UNLESS THE DOMESTIC MARKETS IN PRODUCING COUNTRIES ARE STABILIZED OR TRENDS IN THEM ARE NOT ALLOWED TO AFFECT THE AVAILABILITY OF RAW JUTE FOR THE INTERNATIONAL MARKET.

4. FOR EXAMPLE, IF TIGHT MARKET CONDITIONS RESULTED IN HIGH PRICES FOR JUTE IN PRODUCING COUNTRIES, THE PROPOSED STOCK COULD SOON BECOME EXHAUSTED AND THUS INEFFECTIVE IN PREVENTING INTERNATIONAL PRICES FROM

RISING. FURTHER, EFFORTS BY PRODUCER GOVERNMENTS TO ENSURE ADEQUATE SUPPLIES OF RAW JUTE TO DOMESTIC INDUSTRIES COULD PREVENT INTERNATIONAL MARKETS FROM RECEIVING ADEQUATE SUPPLIES OF JUTE. IN PRACTICE, THEREFORE, THE SCHEME MIGHT NOT PRODUCE RESULTS SIGNIFICANTLY DIFFERENT FROM THE PRESENT INDICATIVE PRICE ARRANGEMENTS.

5. A FURTHER PROBLEM IS THAT THE SCHEME SUGGESTS THAT FLOOR AND CEILING PRICES BE NEGOTIATED BUT FAILS TO SPECIFY AN ACCEPTABLE STABILIZATION OBJECTIVE. THE REFERENCE TO QUOTE...THE EXPECTED RATE OF INTERNATIONAL INFLATION...UNQUOTE IN THE ABSENCE OF OTHER CRITERIA WOULD APPEAR TO CONFLICT WITH OUR VIEWS ON INDEXATION. OUR COMMODITY POLICY CALLS FOR CEILING AND FLOOR PRICES TO

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BE RELATED TO MARKET TRENDS.

6. ANOTHER PROBLEM WITH THE SCHEME IS THAT STOCK TRANSACTIONS WOULD BE TRIGGERED BY MOVEMENTS IN A PRICE ADMINISTRATIVELY CONTROLLED BY A PRODUCER GOVERNMENT. SUCH A PRICE MIGHT NOT ACCURATELY REFLECT MARKET MOVEMENTS AND COULD, THEREFORE, RESULT IN COUNTER-STABILIZATION EFFORTS BY THE STOCK MANAGER.

7. THE PROPOSED SCHEME ALSO RAISES A NUMBER OF QUESTIONS; FOR EXAMPLE, WITHOUT THE ANNEX, WE DON'T KNOW HOW CONSUMER CONTRIBUTIONS ARE TO BE ALLOCATED, PRESUMABLY ON THE BASIS OF SHARES IN THE INTERNATIONAL MARKET FOR RAW JUTE. THE SCHEME ALSO REFERS TO THE NEED TO ARRANGE INTERNATIONAL FINANCING TO CONSTRUCT STORAGE FACILITIES IN BANGLADESH. THE NEED FOR SUCH FACILITIES IS UNCLEAR AND, IN ANY EVENT, FINANCING FOR THEM SHOULD NOT BE RELATED TO FINANCING FOR STOCKING MEASURES. ONE OTHER QUESTION IS WHETHER THE STOCK MANAGER WOULD BE REQUIRED TO SELL STOCKS AT THE CEILING PRICE IF RAW JUTE IS UNAVAILABLE AT THE CEILING PRICE OR BELOW FROM COMMERCIAL SOURCES. ALSO, THE SCHEME DOES NOT INDICATE HOW TRADE WITH SOCIALIST COUNTRIES WOULD BE TREATED.

8. ALTHOUGH CONSUMER GOVERNMENTS ARE NOW SHOWING INCREASED WILLINGNESS TO PROVIDE FINANCIAL SUPPORT FOR INTERNATIONAL STABILIZATION MEASURES, THEY HAVE INSISTED THAT MEASURES THEY SUPPORT PROVIDE SIGNIFICANT BENEFITS TO CONSUMERS. UNLESS THE PROPOSED SCHEME CAN ENSURE EFFECTIVE INTERNATIONAL COORDINATION WITH THE OBJECTIVE OF STABILIZING PRICES IN ACCORDANCE WITH MARKET TRENDS, CONSUMER FINANCING WOULD SEEM INAPPROPRIATE.

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9. FOR EC CAPITALS AND USEC. PLEASE ADVISE WHETHER
REPORT BY UK GENEVA REPRESENTATIVE MARTIN OF SUPPORT
OF ALL EC MEMBERS FOR SECRETARIAT SCHEME ACCURATELY
REFLECTS HOST GOVERNMENT VIEWS. CHRISTOPHER

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ORIGIN EB-04

INFO OCT-01 ISO-00 /005 R

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DRAFTED BY:EB/ICD:CANGEVINE

APPROVED BY:EB/ICD:EAWENDT

-----014674 301755Z /64

O 301740Z MAY 78

FM SECSTATE WASHDC

TO AMEMBASSY DACCA IMMEDIATE

AMEMBASSY NEW DELHI IMMEDIATE

C O N F I D E N T I A L STATE 131760

FOLLOWING REPEAT STATE 131760 ACTION GENEVA BONN BRUSSELS
COPENHAGEN LONDON PARIS ROME THE HAGUE MAY 24

QUOTE C O N F I D E N T I A L STATE 131760

E.O. 11652: N/A

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, JUTE, POLICIES, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE131760
Document Source: CORE
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Enclosure: DG ALTERED
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Errors: N/A
Expiration:
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From: STATE
Handling Restrictions: n/a
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Legacy Key: link1978/newtext/t19780523/aaaaatjj.tel
Line Count: 346
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 48184597-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 7850
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags: ANOMALY
Review Date: 12 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2585474
Secure: OPEN
Status: NATIVE
Subject: UNCTAD COMMODITIES: JUTE
TAGS: ETRD, US, UNCTAD
To: GENEVA BONN MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/48184597-c288-dd11-92da-001cc4696bcc
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